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14 UNITED STATES DISTRICT COURT
15 NORTHERN DISTRICT OF CALIFORNIA
16

17
18 IN RE LUMINENT MORTGAGE CAPITAL,
INC. SECURITIES LITIGATION

C 07-04073 PJH

19 CLASS ACTION

20 This Document Relates To:

21 ALL ACTIONS
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**DECLARATION OF ALLEN DAYTON
IN SUPPORT OF MOTION BY
SOUTHERN FOR APPOINTMENT AS
LEAD PLAINTIFF AND APPROVAL
OF THEIR SELECTION OF LEAD
COUNSEL**

Date: November 21, 2007

Time: 9:00 a.m.

Place: Courtroom 3, 17th Floor

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28 [3:07-cv-04073-PJH] DECLARATION OF ALLEN DAYTON IN SUPPORT OF MOTION BY SOUTHERN FOR
APPOINTMENT AS LEAD PLAINTIFF AND APPROVAL AS LEAD COUNSEL

2031 / DECL / 00084224.WPD v1

1 ALLEN DAYTON hereby declares, pursuant to 28 U.S.C. § 1746:

2 1. I am the sole shareholder and President of The Southern Improvement Co.
3 ("Southern Improvement"), a company I formed to invest in the securities markets.

4 2. I am also the 95 percent shareholder and President of VSA, Inc. ("VSA"), a
5 distributor of media and audiovisual products.

6 3. I exercise complete control, authority, and direction over the business activities of
7 Southern Improvement and VSA. I conduct my own research and make all investment decisions
8 with respect to trading in the securities accounts maintained by Southern Improvement and VSA.

9 4. I also maintain individual securities accounts. Together, the securities portfolios
10 for Southern Improvement, VSA, and my personal accounts are valued at about \$15 million.

11 5. I submit this declaration in support of the application made by Southern
12 Improvement, VSA, and myself (collectively, "Southern") for appointment as Lead Plaintiff and
13 approval of its selection of Lead Counsel in this securities fraud litigation against Luminent
14 Mortgage Capital, Inc. ("Luminent") and others, pursuant to the Private Securities Litigation
15 Reform Act of 1995 ("PSLRA").

16 6. After conducting extensive research and analysis on Luminent, beginning in late
17 June 2007, I purchased more than 160,000 shares of Luminent stock at prices ranging from about
18 \$8.00 to \$10.00, for the Southern Improvement, the VSA, and my personal accounts, and held
19 these shares through the end of the putative Class Period, which is August 6, 2007.

20 7. Following Luminent's adverse disclosures on August 6, 2007, I sold the entire
21 position held by Southern, except for 5,410 shares, at prices ranging from \$0.74 to \$1.08 per
22 share. Southern's losses on the stock transactions are more than \$1.27 million. In addition,
23 during the same period, I sold put options contracts for the Southern Improvement, the VSA, and
24 my personal accounts, and sustained net losses of about \$200,000. Southern's total losses are
25 approximately \$1.47 million, as set forth in the Certifications and Loss Analyses submitted
26 herewith in Exhibit 1 to Declaration of David Harrison.

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28 [3:07-cv-04073-PJH] DECLARATION OF ALLEN DAYTON IN SUPPORT OF MOTION BY SOUTHERN FOR
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1 8. Southern is eminently qualified to lead this litigation, having sustained significant
2 losses, detailed in the Loss Analyses, which in all probability make Southern the member of the
3 class with the largest financial interest in the outcome of this litigation. Southern has both the
4 wherewithal and financial interest to closely monitor and oversee the litigation for the benefit of
5 purchasers of Luminent stock during the Class Period.

6 9. Southern has selected the firm of Lowey Dannenberg Bemporad Selinger &
7 Cohen, P.C. ("LDBSC") to serve as Lead Counsel. LDBSC previously successfully represented
8 VSA as a class member in a securities class action involving First Central Financial Corporation,
9 in which LDBSC recovered 75 percent of VSA's investment losses. After suffering more than
10 \$1 million in investment losses in Luminent, I interviewed and retained LDBSC, which is one of
11 the most experienced and highly regarded securities litigation firms in the country.

12 10. Southern will be kept abreast of court appearances, settlement discussions, and
13 other important proceedings and meetings, and will discuss all significant pleadings and
14 submissions with LDBSC before they are filed with the Court.

15 11. Southern will also be advised and consulted by LDBSC before it submits any fee
16 application to this Court in the event of a successful recovery. (Any fee applications will, of
17 course, be subject to final approval of the Court.)

18 I declare, under penalty of perjury, that the foregoing is true and correct.

19 Executed this 17th day of October, 2007.

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21 Allen Dayton
22 ALLEN DAYTON
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